

THE COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS & ENERGY

MITT ROMNEY
GOVERNOR

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LIEUTENANT GOVERNOR

ONE SOUTH STATION BOSTON, MA 02110 (617) 305-3500 JUDITH F. JUDSON CHAIRMAN

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COMMISSIONER

June 19, 2006

Mr. Robert N. Werlin, Esq. Keegan Werlin LLP 265 Franklin Street Boston, MA 02110

RE: D.T.E. 06-40 NSTAR Electric Petition for Approval of Merger

Department's First Set of Information Requests

Dear Mr. Werlin:

Enclosed please find the Department of Telecommunications and Energy's First Set of Information Requests to Boston Edison Company, Cambridge Electric Light Company, Canal Electric Company, and Commonwealth Electric Company in the above-referenced proceeding. Please provide the requested answers by July 5, 2006. If you have any questions on this request, please contact me at (617) 305-3613.

Sincerely,

/s/

Joan Foster Evans Hearing Officer

cc. Mary L. Cottrell, Secretary Service List Staff as assigned

COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

FIRST SET OF INFORMATION REQUESTS D.T.E. 06-40

Pursuant to 220 C.M.R. § 1.06 (6)(c), the Department of Telecommunications and Energy ("Department") submits to Boston Edison Company ("Boston Edison"), Cambridge Electric Light Company ("Cambridge"), Canal Electric Company ("Canal"), and Commonwealth Electric Company ("Commonwealth") (jointly "NSTAR Electric" or "Companies") the following Information Requests.

I. Instructions

The following instructions apply to this set of Information Requests and all subsequent Information Requests issued by the Department to the Companies in this proceeding.

- 1. Each request should be answered in writing on a separate three-hole punched page with a recitation of the request, a reference to the request number, the docket number of the case and the name of the person responsible for the answer.
- 2. Please do not wait for all answers to be completed before supplying answers. Provide the answers as they are completed.
- 3. These requests shall be deemed continuing so as to require further supplemental responses if the Companies or their witness receives or generates additional information within the scope of these requests between the time of the original response and the close of the record in this proceeding.
- 4. The term "provide complete and detailed documentation" means:
 - Provide all data, assumptions and calculations relied upon. Provide the source of and basis for all data and assumptions employed. Include all studies, reports and planning documents from which data, estimates or assumptions were drawn and support for how the data or assumptions were used in developing the projections or estimates. Provide and explain all supporting workpapers.
- 5. The term "document" is used in its broadest sense and includes, without limitation, writings, drawings, graphs, charts, photographs, phono-records, microfilm, microfiche, computer printouts, correspondence, handwritten notes, records or reports, bills, checks, articles from journals or other sources and other data compilations from which information can be obtained and all copies of such documents that bear notations or other markings that differentiate such copies from the original.
- 6. If the Companies find that any one of these requests is ambiguous, please notify the Hearing Officer so that the request may be clarified prior to the preparation of a written response.

7. If a question refers to an Information Request of another party, please provide that response and answer with information that supplements the previous response.

8. Please serve a copy of the responses on Mary L. Cottrell, Secretary of the Department; also submit five (5) copies of the responses to Joan Foster Evans, Hearing Officer.

II. Information Requests

DTE 1-1 Please provide the most current balance sheet available for: (1) Boston Edison Company; (2) Cambridge Electric Light Company; (3) Commonwealth Electric Company; and (4) Canal Electric Company.

- PTE 1-2 Refer to Exh. NSTAR-CLV-2, at 2. Please explain the Companies' selection of their proposed exchange ratios for the common stock of Cambridge (0.0000115 Boston Edison shares per Cambridge share), Canal (0.0000084 Boston Edison shares per Canal share), and Commonwealth (0.0000088 Boston Edison shares per Commonwealth share).
- DTE 1-3 Refer to Exh. NSTAR-CLV-1, at 11. Please provide the following information for Cambridge and Commonwealth:
 - (1) The amount of debt, broken down by series, that the Companies intend to recall;
 - (2) The amount of debt, if any, that would remain outstanding;
 - (3) The call premiums associated with each issuance; and
 - (4) A description of the call provisions.
- PTE 1-4 Refer to Exh. NSTAR-CLV-1, at 11. Do the Companies intend to recall any of Canal's outstanding debt? If so, please provide (1) the amount of debt, broken down by series, that the Companies intend to recall, (2) the amount of debt, if any, that would remain outstanding; (3) the call premium associated with each issuance; and (4) a description of the call provisions.
- DTE 1-5

 Refer to Exh. NSTAR-CLV-1, at 11. Were the \$200 million in 30-year debentures issued during the first quarter of 2006 part of the \$500 million financing plan approved by the Department in Boston Edison Company, D.T.E. 03-129 (2003), as subsequently extended in Boston Edison Company, D.T.E. 03-129-A (2005)? If so, please explain whether the intended redemption of other companies' long-term debt constitutes a "reasonably necessary" purpose of the \$500 million financing plan approved by the Department in D.T.E. 03-129 and D.T.E. 03-129-A.
- DTE 1-6 Refer to Exh. NSTAR-CLV-1, at 11, and DTE 1-5, above. Please explain Boston Edison's use of the proceeds associated with the \$200 million debenture issued during the first quarter of 2006, in light of the fact that the long-term debt for Cambridge and Commmonwealth remains outstanding.

DTE 1-7 Refer to Exh. NSTAR-CLV-1, at 11. Please explain why the Companies intend to recall the debt for Cambridge and Commonwealth, in contrast to assuming this debt.

- DTE 1-8 Refer to Exh. NSTAR-CLV-1, at 4-5, where Ms. Vaughan states that it is appropriate and necessary for the Department to confirm and ratify that all the franchise rights and obligations currently held by Cambridge and Commonwealth continue with Boston Edison after the consummation of the merger. Please identify the franchise rights and obligations that the Companies are requesting the Department to confirm and ratify.
- DTE 1-9 Please provide electronic copies in Microsoft Excel format with links and formulas in cells for the following exhibits: NSTAR-CLV-4, NSTAR-CLV-5, NSTAR-CLV-7, NSTAR-CLV-8, NSTAR-CLV-9, and NSTAR-CLV-10.
- DTE 1-10 Please provide a new hard copy of Exh. NSTAR-CLV-3, at 82, as the copy submitted to the Department in the original filing is not legible.
- DTE 1-11 Please provide a new hard copy of Exh. NSTAR-CLV-7, as the copies submitted to the Department in the original filing are not legible.
- Please provide the Department with the docket numbers assigned to the filing to the Federal Energy Regulatory Commission ("FERC") included as Exh. NSTAR-CLV-3. Provide an update as to the status of FERC's investigation of that filing.
- DTE 1-13 Refer to Exh. NSTAR-CLV-1, at 13-14. How do the Companies propose to apply the basic service adder if the merger is approved? If the adder will change from the current rates as approved for each company and rate class in D.T.E. 03-88, please address any change to the distribution rates for each rate class in each company resulting from such change.
- DTE 1-14 Refer to Exh. NSTAR-CLV-1, at 12-14. Please provide an example of the retail basic service rate derivation (similar to confidential Appendix B, Schedule A of the Companies basic service filing). Explain how the Companies will address line losses and other components of the retail basic service rate derivation under the merged entity.
- DTE 1-15 Refer to Exh. NSTAR-CLV-1, at 18-19. Please define and discuss all congestion management costs. Include definitions, cost derivation and cost allocation methods employed by FERC, and how the Companies recover these costs in rates (i.e., which zones, rate classes, etc.). For example, when

discussing SCR costs, please define SCR, explain how and why these costs are incurred, who incurs these costs, who are the parties responsible for paying these costs, how they are allocated to responsible parties, and how the Company collects these costs from retail customers (which rate and how it is allocated to customers).

- DTE 1-16 Refer to Exhs. NSTAR-CLV-1, at 19, and NSTAR-CLV-5. Please provide a summary of Docket ER05-742. When do the Companies expect FERC to rule on Docket ER05-742?
- DTE 1-17 Refer to Exh. NSTAR-CLV-6. Is this document part of a current FERC approved tariff? If not, have the Companies submitted this document to FERC for approval? If it has been submitted, when do the Companies expect FERC to rule on it?
- DTE 1-18 Refer to Exhs. NSTAR-CLV-1, at 22-25, and NSTAR-CLV-6. Please discuss the current state of the Companies filing at FERC regarding the reclassification of Cambridge's 13.8 kV line. What process does FERC follow in examining the filing? When do the Companies expect FERC to rule on this?
- DTE 1-19 Refer to Exh. NSTAR-CLV-1, at 25. Is it the Companies' position that the 13.8 kV facilities would produce the same revenue requirement whether classified as transmission or distribution plant? If so, please provide support for this position. If not, please explain how the transfer of the revenue requirement associated with these facilities would be revenue neutral.
- DTE 1-20 Refer to Exh. NSTAR-CLV-1, at 25. In the Companies' view, would the revenue requirement associated with the 13.8 kV facilities transferred from transmission to distribution be eligible for the "SIP" adjustment approved by the Department in D.T.E. 05-85?
- On September 15, 2005, the Companies filed a notice of their intent to file a general rate proceeding with the Department that would have sought a distribution rate increase for Cambridge of \$2.1 million (Settlement Agreement at 2). Please recalculate what the distribution rate increase for Cambridge would have been assuming that the 13.8 kV facilities were included as distribution plant in that filing. In performing this computation, please use a return on common equity of 10.5 percent.
- DTE 1-22 Refer to Exh. NSTAR-CLV-1, at 26 and 29. Please clarify the costs to be reconciled relating to the reclassification of the 13.8 kV line. Include in your

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- answer which ratepayers will be affected and which portion of their bill will be subject to change.
- DTE 1-23 Refer to Exh. NSTAR-CLV-1, at 14. Have the Companies performed an analysis or estimate of how the difference in pricing of power supplies between NEMA and SEMA will change when Boston Edison's new 345 kV line is placed in service? Is so, please provide the Department with this analysis.
- DTE 1-24 Refer to Exh. NSTAR-CLV-1, at 12. Do the Companies have an implementation plan for the new procurement structure of basic service for residential customers per Settlement Agreement at 2.21? If yes, please explain. If no, when do the Companies expect to have a plan ready to present to the Department?
- DTE 1-25 Refer to Exh. NSTAR-CLV-11, at 6. Please provide copies of the previous depreciation study prepared by or for each of the Companies.
- DTE 1-26 Refer to Exh. NSTAR-CLV-11, at 27. Please describe the general procedure carried out by Mr. Spanos and/or his staff as part of his field trip to the Companies' facilities.
- DTE 1-27 Refer to Exh. NSTAR-CLV-11, at 27. Provide the names and titles of the Company personnel who accompanied Mr. Spanos and/or his staff on the tour of the Companies' physical plant.
- DTE 1-28 Refer to Exh. NSTAR-CLV-11, at 27. Provide a copy of all notes, memoranda or other written materials created during and as a result of examination of the Companies' physical plant and discussions with Company personnel.
- DTE 1-29 Refer to Exh. NSTAR-CLV-11, at 26-27. Please provide the results of all the survivor curve analyses that Mr. Spanos performed regarding the Companies' plant. Please also provide all statistics, graphs, charts, and analysis for each plant account.
- DTE 1-30 Refer to Exh. NSTAR-CLV-11, at 32. For each account/subaccount where service life estimates were based on judgment, please explain the nature of the judgment that was relied upon and how such judgment was used in the evaluation of the statistical data analyses.
- DTE 1-31 Refer to Exh. NSTAR-CLV-11, at 36-38. Please provide the workpapers, calculations, formulas, and assumptions used by Mr. Spanos to allocate the test year end balance of accumulated depreciation to each plant account.

DTE 1-32 Refer to Exh. NSTAR-CLV-11, at 34. Please provide a tabulation of the Companies' cost of removal by account for the past five years.

- DTE 1-33 Refer to Exh. NSTAR-CLV-11, at 43. Please provide the basis for the proposed net salvage factors by account.
- DTE 1-34 Refer to Exh. NSTAR-CLV-11, at 34-36. Please provide all of the workpapers, calculations, formulas, and assumptions used by Mr. Spanos to perform his salvage and retirement cost study in this case.
- DTE 1-35 Please provide, separately for Boston Edison, Cambridge, Canal, and Commonwealth the following:
 - (1) the plant balance by account (and subaccount where appropriate); and
 - (2) the current depreciation rate by account (and subaccount where appropriate).
- DTE 1-36 Please explain why using a blended average of the current accrual rates for Boston Edison, Cambridge, and Commonwealth to develop new composite accrual rates for the merged company in lieu of using the depreciation study is appropriate. As part of this response, discuss whether it would be appropriate to include the depreciation accrual rates for Canal in such a blended average.
- DTE 1-37 Refer to Exh. NSTAR-CLV-1, at 34. Please describe the current process involved in accounting for the retirement of general equipment. For purposes of this response, assume that a desk chair with an original book value of \$200 and net book value of \$100 has been damaged beyond repair.
- DTE 1-38 Refer to Exh. NSTAR-CLV-1, at 35. Please explain the basis for the Companies' selection of a 15-year amortization period for Accounts 391 through 398 (other than computer equipment).